

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, August 30, 1949. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
Mr. Draper
Mr. Vardaman

Mr. Sherman, Assistant Secretary
Mr. Hammond, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Director, Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Leonard, Director, Division of Bank Operations
Mr. Nelson, Director, Division of Personnel Administration
Mr. Millard, Director, Division of Examinations
Mr. Young, Associate Director, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Dembitz, Chief, International Financial Operations Section, Division of Research and Statistics
Mr. Tamagna, Economist, Division of Research and Statistics
Mr. Hinshaw, Economist, Division of Research and Statistics
Mr. Katz, Economist, Division of Research and Statistics

Before this meeting there had been sent to each member of the Board a memorandum dated August 17, 1949, listing topics that had been suggested for inclusion on the agenda of the meeting of the Federal Advisory Council to be held September 18-20, 1949.

Mr. Vardaman stated that he had asked that the Council be

8/30/49

-2-

requested to consider the question to what extent personnel from commercial banks might serve as members of foreign missions arranged by the Federal Reserve System.

Mr. Eccles stated that he would be opposed to the inclusion of commercial bankers on such missions because he felt that it would be difficult for commercial bankers to be disinterested in making recommendations as to monetary or fiscal systems for the countries involved. In the discussion that followed, it was suggested that before submitting the question to the Federal Advisory Council for comment, it be considered by the Board at a meeting at which Chairman McCabe was present, and it was understood that it would be placed on the agenda for the meeting on September 6.

Following a discussion of other topics to be submitted to the Federal Advisory Council, unanimous approval was given to a letter to the Secretary of the Council in the following form:

"Thank you for your letter of August 24, 1949, informing us that the first topic on the agenda for the meeting of the Federal Advisory Council to be held September 18-20 would be a discussion of discount rates.

"The Board would like to suggest the addition of the following topics for the agenda for the meeting:

1. What are the views of the Council as to business trends during the remainder of 1949?
2. Does the Council have any comments to make on the credit policy actions taken by the Federal Reserve System since the last meeting of the Council?

8/30/49

-3-

- "3. Does the Council wish to express any opinion at this time with respect to the future re-funding program of the Treasury?
4. What are the views of the Council with respect to the following legislative proposals:
- A basic revision in the law relating to reserve requirements which would base requirements on types of deposits rather than location of the bank, and would be applicable to nonmember as well as member banks.
 - The authority of the Federal Reserve Banks with respect to industrial loans.
 - H. R. 5749, introduced in the House of Representatives by Chairman Spence on July 25, 1949, 'To amend section 9 of the Federal Reserve Act, as amended, and for other purposes'. This bill, proposed by the Board, relates to capital requirements for membership and the establishment of branches by member banks.
5. The Board would like to have the views of the members of the Council on the proposal contained in the enclosed letter dated August 10, 1949, addressed to Mr. Leonard, Director of the Board's Division of Bank Operations, by Mr. Joseph J. Lawler, Third Assistant Postmaster General, outlining a plan which the Post Office Department has under consideration with respect to issuance and collection of Postal money orders. There is also enclosed a copy of a memorandum prepared by Mr. Leonard under date of August 11, 1949, regarding a meeting of representatives of the Post Office Department with members of the Board's staff at which the proposal was discussed."

In connection with the foregoing discussion, unanimous approval also was given to the following letter to Mr. Davis, Chairman, Conference of Presidents, c/o Federal Reserve Bank of St. Louis:

"Enclosed is a copy of a letter dated August 10, 1949, addressed to Mr. Leonard, Director of the Division of Bank

8/30/49

-4-

"Operations, by Mr. Joseph J. Lawler, Third Assistant Postmaster General, in which he outlines a proposal which the Post Office Department has under consideration with respect to the issuance and collection of postal money orders. Enclosed also is a copy of a memorandum regarding a meeting of representatives of the Post Office Department with members of the Board's staff.

"The Board would like to have the views of the Presidents on this proposal and will appreciate it, therefore, if you will have this matter placed on the agenda for discussion at the next meeting of the Conference of Presidents."

Mr. Szymczak referred to the Fourth Annual meetings of the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development to be held September 13-18, 1949, and suggested that the Board invite central bank officials who would be attending the meetings to dinner on Monday, September 12, 1949. There followed a discussion whether they should be invited to luncheon or dinner in the Board's building or to dinner at a hotel in Washington.

Upon motion by Mr. Szymczak, it was agreed unanimously to invite the representatives of central banks who would be attending the meetings to dinner at a hotel in Washington on September 12, 1949, with the understanding that the Board would pay the costs and that the appropriate item in the budget of the Division of Administrative Services would be increased by an amount sufficient to cover such costs.

Reference was made to a memorandum from the Legal Division dated August 19, 1949, with respect to a bill, H. R. 6000, cited as

8/30/49

-5-

the "Social Security Act Amendments of 1949", which would extend Social Security coverage to employees of the Federal Reserve Banks and the Board.

Mr. Vest stated that employees of the Board as well as of the Federal Reserve Banks apparently would come within the terms of the bill because the exemptions covered only those agencies whose employees came under a retirement system established by law which would not include the Board since the Federal Reserve Retirement System was not specifically provided for in the law. Mr. Vest also stated that the bill had been reported out by the House Ways and Means Committee and that if the Board wished to submit a statement a suitable time to do so would be when the bill was introduced in the Senate and referred to committee.

Mr. Nelson stated that a special committee of the Presidents' Conference was studying the question whether it would be advantageous for the personnel of the Federal Reserve Banks to have Social Security coverage but that no conclusion had been reached.

During the discussion that followed, it was suggested that no action was called for immediately but that the Legal Division should keep the Board advised of developments with respect to the legislation and of any views reached by the Presidents' Conference so that a report could be submitted to the Congress at an appropriate time.

8/30/49

-6-

This suggestion was approved unanimously.

Mr. Szymczak reported to the Board on the preparations being made for the British-American-Canadian conferences to be held in Washington early in September explaining that no action was called for by the Board and that the purpose of the report was to inform the Board of pertinent matters under consideration. He then called upon Messrs. Young, Dembitz, and Tamagna for reports, following which there was an extended discussion of the problems to be considered at the conferences.

The meeting then recessed and reconvened at 2:30 p.m. with Messrs. Eccles, Szymczak, Draper, and Vardaman, and Mr. Sherman present.

Mr. Vardaman referred to a memorandum from Mr. Thomas dated August 18, 1949, recommending the re-employment on a part-time basis of Mr. Carl E. Parry, formerly Director of the Division of Security Loans, to assist in the preparation of replies to be made to a questionnaire addressed to the Board by a subcommittee of the Joint Committee on the Economic Report in connection with a study of monetary, fiscal, and credit policies. The questionnaire was received with a letter dated August 22, 1949, from Senator Paul H. Douglas, Chairman of the subcommittee making the study. Mr. Vardaman stated that, for reasons which

8/30/49

-7-

he outlined, he was opposed to the re-employment of Mr. Parry for this purpose and that he felt preparation of the replies should be undertaken by the regular staff of the Board.

There followed a discussion of the manner in which the replies to the questionnaire might be prepared and of the extent to which the Division of Research and Statistics might be expected to carry on the work. During the discussion, Messrs. Riefler, Thomas, and Young re-entered the meeting.

In response to a question from Mr. Vardaman, Mr. Thomas stated that if Mr. Parry were requested to assist in preparing replies to some of the questions addressed to the Board he expected that this work would be done under his (Mr. Thomas') supervision. He also stated that preparation of the replies would necessitate a great deal of work, that it would be difficult for the members of the regular staff to complete the task by October 15, 1949, (the date specified by the Committee for submission of the replies), that no extension of this period could be expected since the Committee planned to commence public hearings on the matter on November 1, 1949, that it was believed that Mr. Parry could assist materially in preparing the replies, and that he was the best qualified person believed to be available for such assistance.

Mr. Thomas then stated that, in addition to the questionnaire addressed to the Board, a similar but somewhat shorter questionnaire

8/30/49

-8-

had been sent to each Federal Reserve Bank and that the suggestion had been made informally that a special committee of members of the staffs of the Board and the Federal Reserve Banks draft statements with respect to each of the questions for the use of the Board and the Reserve Banks in preparing their replies. It was the consensus of the members of the Board who were present that formation of a System committee which would prepare material to be used in answering the questionnaires would be desirable, and it was understood that Mr. Thomas would discuss the matter informally with Mr. Williams, Chairman of the Presidents' Conference Committee on Research and Statistics, for the purpose of ascertaining his views and reporting to the Board.

During a further discussion of the matter, the suggestion was made that Mr. Thomas be requested to prepare material that would be needed to provide answers to the questionnaire addressed to the Board and that if Mr. Parry were re-employed to assist, he work under the direction of Mr. Thomas.

At the conclusion of the discussion, unanimous approval was given to the foregoing suggestion and to the temporary re-employment of Mr. Parry as a consultant to the Division of Research and Statistics for a period that would not extend beyond October 31, 1949, with the understanding that his compensation would be at the rate of \$35 per day worked and that the budget of the Division of Research and Statistics

-9-

8/30/49

would be increased by an amount sufficient to cover the costs. In taking this action, it was understood that Mr. Parry would be given access to the files and records of the Board needed in preparing the material desired, that he would not be a member of the Retirement System, that his services would not be creditable under the Retirement System, and that he would not be entitled to leave under the Board's regulations.

At this point Messrs. Riefler, Thomas, and Young withdrew, and the action stated with respect to each of the matters herein-after referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 25, 1949, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 26, 1949, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated August 16, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Caroline H. Cagle as an economist in that Division, with basic salary at the rate of \$5,232 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Telegram to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, stating that subject to conditions of

8/30/49

-10-

membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the application of the "Southern Commercial and Savings Bank", East Pasadena, California, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank.

Approved unanimously.

Letter to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This is in reply to your letter of July 30 raising several questions in connection with the proposed building program for the Los Angeles branch.

"You ask whether out of the \$10,000,000 limit for all branch buildings approximately \$1,600,000 may be allocated to the Los Angeles branch project. We are unable to give you a definite answer on this point at this time. We have had in mind the tentative figure of \$1,435,000 for the Los Angeles branch based on earlier estimates but a definite allocation cannot be made until after consideration of pending programs of other branches and more definite information as to the amounts properly chargeable against this \$10,000,000 on account of the Portland and Detroit branches. We suggest, however, that you proceed with the development of the plans and estimates for the Los Angeles branch.

8/30/49

-11-

"It would seem that a substantial amount of the cost of alterations of the Los Angeles branch building might properly be chargeable against the \$10,000,000 authorization, but definite decision cannot be made without more complete information as to the nature and extent of the alterations and as to how they relate to the entire building project.

"You point out that approximately \$92,000 of the original authorization under which the Los Angeles branch building was erected was not used and ask whether that is still available for application to the cost of the contemplated addition and alterations. The Board has been advised by its Counsel that, regardless of any unused authorization, any cost properly chargeable to building proper should come within the \$10,000,000 authorization.

"In view of the circumstances set forth in your letter and the decision of your Directors, the Board will not object to the employment of the P. J. Walker Company as Managers of Construction for the Los Angeles branch building program under the arrangements described in your letter."

Approved unanimously.

Letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of August 19, 1949, enclosing a copy of a letter from Bank of America National Trust and Savings Association and an application for approval and reservation of the title 'Bank of America' for a corporation proposed to be organized under the terms of section 25(a) of the Federal Reserve Act.

"The Board has approved the title applied for and will reserve such title for a period of thirty days from the date of this letter. This action is, of course, conditioned upon the organization of the proposed corporation with the approval of the Board of Governors in accordance with the statute. Kindly advise Bank of America National Trust and Savings Association accordingly."

Approved unanimously.

8/30/49

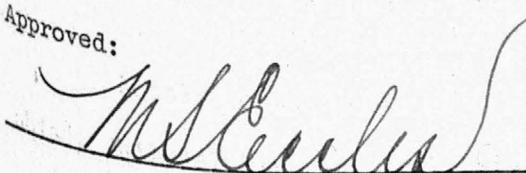
-12-

Memorandum dated August 26, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that that Division be authorized to continue the practice of purchasing new typewriters in the open market at the lowest commercial price obtainable, with the understanding that such authority will apply only until such purchases may again be made direct from the manufacturers at the government rate.

Approved unanimously.


Assistant Secretary.

Approved:


Chairman pro tem.